

AFR WEEKEND

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Conflicted remuneration faces the guillotine



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It would be easy to dismiss the [latest move by Australia's banks](#) to remove incentives for bad behaviour and improve customer service as a public relations exercise that will have no lasting impact.

But the four main measures for lifting accountability and restoring trust in banks put forward by the Australian Bankers' Association on Thursday should finally deal with the most common complaint made by disgruntled customers: they feel powerless and without a voice.

If the ABA proposals go ahead each bank will have an "independent customer advocate" with the power to take complaints directly to the chief executive.

A feature of the scandals that have occurred at banks over the past decade has been the lack of knowledge of the incidents among senior management and at the board level.

The concept of an independent advocate within banks is not new. ANZ Banking Group has had a customer ombudsman for a decade.

But the introduction of minimum industry wide standards for handling complaints will create a baseline from which individual banks can lift their game.

When these changes are combined with the moves announced by the federal government this week to lift the performance of the Financial Ombudsmen Service and the Superannuation Complaints Tribunal should go a long way toward speeding up the resolution of complaints.

At the core of the six point plan put forward by the ABA is an attempt to remove the financial incentives for bad behaviour.

It will appoint prominent lawyer Gina Cass-Gottlieb to establish an

independent review of product sales commissions and product based payments "with a view to removing or changing them where they could result in poor customer outcomes".

This could spell the end of conflicted remuneration in banks. It might even result in more extensive use of bonuses for good customer service. But it will require the approval of the Australian Competition and Consumer Commission. Cass-Gottlieb, who is a leading competition lawyer at Gilbert + Tobin, will establish the governance arrangements, the review process, public reporting, and the selection of an independent expert.

She has advised on a number of industry reform initiatives within Financial Services industry and other industries, such as media.

The ABA did not dream up the plan at short notice to head off escalating political attacks on the industry.

ABA chief Steve Munchenberg discussed the issues with bank chief executives before the Labor Party proposed a royal commission into banking.

Labor should welcome the ABA initiative because it addresses many of the issues raised by unhappy customers during Senate inquiries over the past five years.

One issue that has worried Labor Senator Sam Dastyari for many years is the lack of a register of rogue financial planners.

The ABA said it would "implement an industry register which would extend existing identification of rogue advisers to any bank employees, including customer facing and non-customer facing roles".

This will help prevent the recruitment of individuals who have breached the law or codes of conduct.

The ABA said it will ensure the highest standards of whistleblower protections "by ensuring there is a robust and trusted framework for escalating concerns".

The standardisation of the protection of whistleblowers across banks will require ACCC approval in order to avoid potential collusion.

Another significant development is the ABA proposal for an industry wide default compensation scheme for those who have lost money through poor advice from financial planners. ANZ put forward that idea last year.

The ABA said it would review its code of banking practice. If that leads to the adoption of the Banking and Finance Oath across all institutions it will mark a major step forward. The oath, which must be personally signed, commits each person to serve in good faith, compete with honour, pursue ends with ethical restraint, create a just society, a sustainable future and speak out against wrongdoing while supporting those who do the same.

Meanwhile, one of the country's leading industry funds, Unisuper, has pushed back against the call for a royal commission. Unisuper's chief executive, Kevin O'Sullivan said a statement that all industry issues were reviewed by David Murray's Financial System Inquiry.

O'Sullivan said Unisuper would be concerned "about the negative financial impact and management distraction which could arise from a comprehensive royal commission into the financial services sector, so soon after the Murray Inquiry".